
CONTRACTUAL ARRANGEMENTS

BACKGROUND

Our Consolidated Affiliated Entities were established under the laws of the PRC. As described below, business in certain areas of the industry in which we currently operate are subject to restrictions under current PRC laws and regulations. It was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over, and receive 100% of all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements. For details of our Contractual Arrangements, please refer to “Contractual Arrangements – Overview” below.

REASON FOR ADOPTION OF CONTRACTUAL ARRANGEMENTS

Our business operations in the PRC have mainly been conducted through our Consolidated Affiliated Entities, which include:

- (1) Shanghai Trueland and its subsidiaries (the “**Cloud Service Entities**”), which are principally engaged in provision of cloud-based marketing and sales services and solutions through SaaS products in China (the “**Cloud Service Business**”). The Cloud Services Business primarily consists of cloud computing and IDC services carried out by Shanghai Trueland (the “**Cloud Computing and IDC Business**”), the data middle platform carried out by Shanghai Trueland and Trueland Network (the “**EDI Business**”) and provision of SaaS solutions (the “**SaaS Business**”) powered by our proprietary technology infrastructure layer; and
- (2) Shanghai Kaililong, Wuxi Kaililong, Kaililong (Guangzhou) Information Technology Co., Ltd. (“**Guangzhou Kaililong**, 凱麗隆(廣州)信息科技有限公司), Wuxi Trueland, and Wuxi Trueland Intelligence Technology Co., Ltd (“**Wuxi Trueland Intelligence**”, 無錫珍島智能技術有限公司) (collectively, the “**Precision Marketing Entities**”), which are principally engaged in provision of one-stop mobile social precision marketing solutions (the “**Precision Marketing Business**”);

(collectively, the “**Relevant Businesses**”).

Reason for Adoption of Contractual Arrangements for the Cloud Service Entities

Foreign investment activities in the PRC are mainly governed by the Negative List and the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) (the “**Encouraging Catalog**”), which were promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog divide industries into three categories in terms of foreign investment, namely, “encouraged”, “restricted” and “prohibited.” Industries not listed under the Negative List and the Encouraging Catalog are generally deemed as falling into a fourth category “permitted.” The currently effective Negative List is the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), which became effective on January 1, 2022.

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As advised by our PRC Legal Advisor, certain Cloud Service Business provided by the Company as summarised below is subject to foreign investment prohibition in accordance with the Negative List.

According to the definition of IDC business under the Telecommunications Business Catalogue (《電信業務分類目錄》, the “**Catalogue**”), as last amended by the MIIT on June 6, 2019, the business of Internet data center (互聯網數據中心業務, namely, IDC business) also includes the business of Internet resources sharing and cooperation (互聯網資源協作服務業務). As further elaborated by China Academy of Information and Communication Technology (“CAICT”) in its guideline, the business of Internet resources sharing and cooperation refers to such services including data storage, development of Internet application environment, Internet application planning, operation and management provided by real-time acquisition and expansion, use upon demand and cooperation and sharing through Internet or other networks, leveraging the facilities and resources powered by data center. Therefore, Cloud Computing and IDC Business is regarded as the business of Internet data centre, and constitute a subcategory of value-added telecommunications service under the Catalogue. As such, the operation of such business would require the Value-added Telecommunications Business Operation Permit with Internet Data Centre Services (including Internet resources cooperation services) (“**IDC License**”).

While EDI Business and SaaS Business alone may not strictly fall within the IDC business category, given that both EDI Business and SaaS Business operated by the Group are highly integrated and correlated with and therefore inseparable from the Group’s underlying technology infrastructure layer (in particular, the cloud computing technology), which requires an IDC License and is subject to foreign investment prohibition, the whole Cloud Service Business therefore needs to be operated through the Contractual Arrangements. See “– EDI Business – Operation of our Group’s data middle platform” and “– SaaS Business – provision of SaaS solutions” below for further details.

Cloud Computing and IDC Business – provision of cloud computing and IDC services

Shanghai Trueland sells and/or provides, among other things, Cloud Computing and IDC Business.

As explained above and according to our PRC Legal Advisor, Cloud Computing and IDC Business is regarded as the business of internet data centre, and constitute a subcategory of value-added telecommunications service under the Catalogue. As such, the operation of such business would require the Value-added Telecommunications Business Operation Permit with Internet Data Centre Services (including internet resources cooperation services) (“**IDC License**”). According to the Negative List, foreign investors are only allowed to invest into certain types of value-added telecommunications services that have been opened up to foreign investment pursuant to China’s commitments to the WTO. However, the IDC business has not been included in the scope of China’s foregoing commitments to the WTO to date.

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According to the Mainland and Hong Kong Closer Economic Partnership Arrangement (《內地與香港關於建立更緊密經貿關係的安排》) and Mainland and Macao Closer Economic Partnership Arrangement (《內地與澳門關於建立更緊密經貿關係的安排》) as issued by the MOFCOM in 2003, the Agreement on Trade in Services under the Mainland and Hong Kong Closer Economic Partnership Arrangement (《<內地與香港關於建立更緊密經貿關係的安排> 服務貿易協議》) and the Agreement on Trade in Services under the Mainland and Macao Closer Economic Partnership Arrangement (《<內地與澳門關於建立更緊密經貿關係的安排> 服務貿易協議》) as issued by the MOFCOM in 2015 and most recently amended in November, 2019, and the Circular of the MIIT on Issues concerning the Provision of Telecommunications Services by Hong Kong and Macao Service Providers in the Mainland (《工業和信息化部關於港澳服務提供商在內地開展電信業務有關問題的通告》) which was promulgated by the MIIT and took effect on 30 June 2016 (together with the foregoing arrangements, the “**CEPA Rules**”), Hong Kong and Macau service providers which satisfy the qualification requirements under the CEPA Rules are allowed to establish sino foreign equity joint ventures in Mainland China to operate IDC business and such qualified Hong Kong and Macau service providers (as foreign investors) may acquire up to 50% of the equity interests of such joint ventures. The main qualification requirements under the CEPA Rules for such Hong Kong/Macau service provider include the following (the “**CEPA Qualification Requirements**”):

- (i) the nature and scope of services provided in Hong Kong/Macau by such service provider shall include the nature and scope of services proposed to be provided in Mainland China;
- (ii) such service provider shall be registered in Hong Kong/Macau and have engaged in substantial business operations for more than three years;
- (iii) such service provider from Hong Kong/Macau shall pay profit tax in accordance with the law during the substantive business operations in Hong Kong/Macau;
- (iv) such service provider from Hong Kong/Macau shall own or rent business places in Hong Kong/Macau to engage in substantive business operations, and their business places shall be consistent with their business scope and scale; and
- (v) among the employees employed by such service provider in Hong Kong/Macau, the residents without restriction of residency in Hong Kong/Macau and the PRC mainlanders with one-way pass who settle down in Hong Kong/Macau shall account for no less than 50% of the total number of its employees.

In light of the above, as advised by our PRC Legal Advisor, the operation of Cloud Computing and IDC Business requires an IDC License, which is only open to Hong Kong and Macau service providers that satisfy the CEPA Qualification Requirements, with a maximum Hong Kong or Macau ownership percentage of 50%. In addition, foreign investor’s holding of such IDC License remains ultimately subject to discretion and examination by the MIIT.

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Our PRC Legal Advisor conducted (i) verbal consultations with MIIT in May 2021 and July 2021 and (ii) verbal consultation with Shanghai Communications Administration (上海市通信管理局) in February 2024 (the "**2024 Consultation**"), during which the officers of MIIT and of Shanghai Communications Administration confirmed that:

- (A) the IDC License held by a domestic company would be adversely affected if it was invested in or held, directly or indirectly, by any foreign investor (including its direct shareholder and its direct subsidiary) that does not satisfy the CEPA Qualification Requirements;
- (B) to satisfy the CEPA Qualification Requirements, the foreign shareholder(s) of the applicant, whether direct or indirect, shall hold a valid Certificate of Hong Kong/Macau Service Supplier granted by Hong Kong Trade and Industry Department or Macau Economic and Technological Development Bureau; and
- (C) taking into account that the Company and the non-Hong Kong/Macau shareholders of the Company are unable to hold Certificate of Hong Kong/Macau Service Supplier and the Company's possible spread of foreign shareholders immediately following the completion of the Proposed [REDACTED], such indirect foreign shareholders of the domestic applicants (i.e. entities operating businesses subject to IDC License) will not be viewed as Hong Kong/Macau service providers that satisfy the CEPA Qualification Requirements, and therefore the MIIT will not grant the IDC License to us even if the Hong Kong affiliate of us fulfils the CEPA Qualification Requirements.

Our PRC Legal Advisor also conducted a verbal enquiry, in September 2022, with China Academy of Information and Communications Technology (中國信息通信研究院) ("**CAICT**"), a public institution entity directly under the MIIT, during which the officer of CAICT confirmed that Shanghai Trueland will not be able to carry out the Cloud Computing and IDC Business if our foreign shareholders with no Certificate of Hong Kong/Macau Service Supplier acquire, directly or indirectly, any equity interest in Shanghai Trueland.

As advised by our PRC Legal Advisor, (i) MIIT is the competent authority in determining whether the IDC License shall be granted to foreign-invested enterprises; (ii) CAICT has the competent authority to interpret and explain the relevant policies and to address our enquiries to it above; and (iii) Shanghai Communications Administration is the competent authority to address the consultation and inquiries made in the further verbal consultation conducted in February 2024.

As of the Latest Practicable Date, Marketingforce (HongKong) Limited, AMERICAN KAILILONG INTERNATIONAL HOLDING (H.K.) LIMITED ("**American Kaililong**") and KAILILONG INTERNATIONAL HOLDING (H.K) LIMITED ("**Kaililong HK**") are the only three Hong Kong subsidiaries owned by the Group, among which (a) Marketingforce (Hong Kong) Limited is an investment holding entity only with no substantive operation in Hong Kong since its

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incorporation, while (b) American Kaililong and Kaililong HK are both engaged in overseas precision marketing business by placing advertisements on overseas media platforms remotely through our business staff based in mainland China, with no scale of business operation in Hong Kong.

As advised by our PRC Legal Advisor, according to the CEPA Rules, in order to be qualified as a Hong Kong/Macau service provider, a Hong Kong/Macau entity shall satisfy several qualification requirements stipulated under CEPA Rules including, among other things, (i) it shall be registered in Hong Kong/Macau and has engaged in substantive business operations in Hong Kong/Macau for more than three years and (ii) it should own or rent premises in Hong Kong/Macau to engage in substantive business operations, and the scale of its business premises should be commensurate with the scope and the scale of its business. All of our three Hong Kong subsidiaries are registered in Hong Kong and thus cannot be qualified as Macau service providers. In addition, based on a telephone consultation with Hong Kong Trade and Industry Department, the officer of Hong Kong Trade and Industry Department noted that (i) as Marketingforce (Hong Kong) Limited has no substantive operation in Hong Kong since its incorporation, it will not be able to apply for Certificate of Hong Kong Service Supplier; (ii) reference may be made to Appendix 5 to Notice to Service Suppliers No. 1/2020 Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) Application Procedures for Hong Kong Service Supplier (HKSS) Certificate, which specially requires the applicant to have substantive business operation in Hong Kong. As such, given that American Kaililong and Kaililong HK carry out the substantive operation through staff based in mainland China, it would be difficult for them to apply for Certificate of Hong Kong Service Supplier; and (iii) as none of our three Hong Kong subsidiaries owns or rents business premises for any substantive operations commensurating with the scope and the scale of its business, it is unlikely that they will be able to obtain Certificate of Hong Kong Service Supplier. Based on the foregoing, we are of the view that none of our Hong Kong subsidiaries will be able to obtain the Certificates of Hong Kong Service Supplier.

Further, even if there is an intermediate holding company within our Group that is a holder of Certificate of Hong Kong/Macau Service Supplier, as advised by the PRC Legal Advisor, Shanghai Trueland will still not be able to carry out the Cloud Computing and IDC Business if foreign shareholders with no Certificate of Hong Kong/Macau Service Supplier acquire an indirect equity interest in Shanghai Trueland, on the following basis:

- (i) as advised by our PRC Legal Advisor, the CEPA Qualification Requirements apply to the direct and indirect shareholders of the entities operating businesses that are subject to IDC License instead of just intermediate holding company within the Group with Hong Kong operation;
- (ii) the operation of cloud computing and IDC business requires an IDC License, which in terms of foreign investment restrictions is only open to Hong Kong and Macau service providers that satisfy the CEPA Qualification Requirements, with a maximum Hong Kong or Macau ownership percentage of 50%; and

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(iii) as confirmed with the officers of MIIT and of Shanghai Communications Administration in verbal consultations conducted by the PRC Legal Advisor in May and July 2021 and February 2024 as mentioned above, (a) to satisfy the CEPA Qualification Requirements, the foreign shareholder(s), whether direct or indirect, of the domestic applicant (i.e. entities operating businesses subject to IDC License) shall hold a valid Certificate of Hong Kong/Macau Service Supplier granted by Hong Kong Trade and Industry Department or Macau Economic and Technological Development Bureau; and (b) taking into account that the Company and the non-Hong Kong/Macau shareholders of the Company are unable to hold Certificate of Hong Kong/Macau Service Supplier and its possible spread of foreign shareholders immediately following the completion of the [REDACTED], such indirect foreign shareholders of the domestic applicants (i.e. entities operating businesses subject to IDC License) will not be viewed as Hong Kong/Macau service providers that satisfy the CEPA Qualification Requirements, and therefore the MIIT will not grant the IDC License to us even if an intermediate holding company within the Group fulfils the CEPA Qualification Requirements.

On the basis of the above, we are therefore required to carry out our current and future Cloud Computing and IDC Business through the Contractual Arrangements.

In addition to the Cloud Computing and IDC Business as mentioned above, the Group also operates the EDI Business and provides the SaaS Business powered by our proprietary technology infrastructure layer as the primary part of the Group’s Cloud Service Business.

EDI Business – Operation of our Group’s data middle platform

Shanghai Trueland and Trueland Network are also engaged in, among other things, provision of Cloud Services Business through our data middle platform.

The provision of Cloud Services Business through our data middle platform involves the facilitation of transaction and data processing. As advised by our PRC Legal Advisor, transaction processing service falls within the scope of value-added telecommunications services under the Catalogue. The operation of our data middle platform requires the holding of a value-added telecommunications services license specifically for the provision of online data processing and transaction processing services (the “**EDI License**”).

Although the FITE Regulations provides that, unless otherwise stipulated, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecommunications services, pursuant to the Circular of the MIIT on Liberalizing the Restrictions on Foreign Shareholding Percentages in Online Data Processing and Transaction Processing Business (For-profit E-Commerce Business) (《工業和信息化部關於放開在線數據處理與事務處理業務(經營類電子商務)外資股比限制的通告》) which became effective on 19 June 2015, the foreign shareholding percentages of companies that engage in the third party transaction platform business can be up to 100%.

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Following the issue of the Decision on Amending and Abolishing Some Administrative Regulations (《關於修改和廢止部分行政法規的決定》) issued by the State Council (the “**Order No. 752**”) on March 29, 2022, the qualification requirements (the “**Qualification Requirements**”) previously set out in the FITE Regulations, for which the main foreign investor must satisfy for investing in a PRC value-added telecommunication business was removed with effect from May 1, 2022. As advised by our PRC Legal Advisor, in light of the removal of Qualification Requirements by Order No. 752, foreign investment in a company holding EDI License is no longer subject to the Qualification Requirements previously set out in Article 10 of the FITE Regulations.

Notwithstanding the Qualification Requirements has been removed by Order No. 752, with the Group’s technology infrastructure layer as the fundamental infrastructure for our overall business operation, the EDI Business is also highly integrated and correlated with our technology infrastructure layer in the following ways, and accordingly, it is not viable to segregate the EDI Business from the Cloud Computing and IDC Business (which requires IDC License as noted above):

- (a) the underlying data collected (e.g., user information, purchase patterns on the data middle platform) during the EDI Business would be ultimately transmitted to our technology infrastructure layer for providing features of analysis and storage. The cloud computing features of our technology infrastructure layer enables a comprehensive and efficient analysis of such data, on the basis of which our technology infrastructure layer would refine the offering of our data middle layer.
- (b) the operating features of our data middle layer including clients log-in, order details review, online purchase functions and data storage and analysis was, developed, operated, maintained and refined by our technology infrastructure layer.
- (c) further, our technology infrastructure layer and its related technical support extends to the entire Cloud Services Business to maximise the business efficiencies. For instance, we perform dual-system hot backup for all the data collected through various cloud-based services and solutions, which was maintained and technically supported by the same group of technical staff.

The PRC Legal Advisor conducted verbal consultations with MIIT in July 2021 (the “**2021 Consultation**”) and the 2024 Consultation, during which the officers of MIIT and Shanghai Communications Administration confirmed that they will defer to us to assess whether our EDI Business is highly integrated and correlated with our Cloud Computing and IDC Business based on its business needs, and based on our presentation, they have no objection to our assessment that the Group’s EDI Business is highly integrated and correlated with our Cloud Computing and IDC Business and therefore inseparable.

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As advised by our PRC Legal Advisor, MIIT is the competent authority to provide the above confirmation in relation to whether the EDI License shall be granted to foreign-invested enterprises, and CAICT has the competent authority to interpret and explain the relevant policies and to address our enquiries to it above.

Based on above, we are of the view that it would be impracticable for Shanghai Trueland and Trueland Network to be partly held by foreign investors, and we are therefore required to operate the EDI Business through the Contractual Arrangements.

SaaS Business – provision of SaaS solutions

As advised by the PRC Legal Advisor, the provision of SaaS Business is not strictly subject to foreign investment restrictions. However, as the SaaS Business operated by the Group is highly integrated and correlated with the Group's underlying technology infrastructure layer (in particular, the cloud computing technology), which requires an IDC License and is subject to foreign investment prohibition, and cannot be separated from such infrastructure as explained below:

A. The whole SaaS Business is highly integrated and correlated with and powered by the Group's technology infrastructure layer, which is subject to foreign investment restrictions.

The foundation of the Group's SaaS offering is our proprietary technology infrastructure layer, a basic cloud technology-driven infrastructure which provides the fundamental capabilities (including cloud computing, comprehensive data analytics, data storage and Internet data centre capabilities) and environment for development, upgrade and operation of the Group's wide spectrum of SaaS solutions. The Group's SaaS Business is highly integrated and correlated with the Group's technology infrastructure layer in the following ways, among other things:

- the Group's SaaS offering is supported by our computing services provided through our technology infrastructure layer with customised features catering for specific SaaS products to elevate the functions of the services offered by the SaaS Business as well as gain access to valuable data insights generated by SaaS Business. It integrates the Company's cloud architecture functions with the R&D of our SaaS products;
- the Group's cloud-related services directly derived and offered through our technology infrastructure layer also forms an integral part of its SaaS offerings. For example, the Company opens certain functions of its technology infrastructure layer as part of its SaaS offerings to users to support and facilitate their use of our SaaS products. A vast majority of the Group's SaaS contracts also contain cloud computing related functions (the offering of which is subject to IDC License) as an integral part of such offering to further improve the outcomes that the customers wish to achieve with the relevant SaaS products; and

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- the Group's SaaS Business also relies upon the IP addresses linked with our technology infrastructure layer virtual servers to establish and operate online marketplace for the clients. As such, in absence of the Group's technology infrastructure, each online marketplace would require separate IP addresses registered with other public cloud platform, which would reduce operational efficiency of the Group. In addition, without the IP address linkage mentioned above, the Group would not be able to offer its end-to-end all-in-one SaaS products.

Based on the above, it is not viable nor practicable to segregate the SaaS Business from the other Cloud Services Business of the Group given their underlying cloud architecture and technologies are the same. If the SaaS Business were to be artificially segregated and operated through different entities within the Group, it would distort the true nature of these service offerings and the SaaS Business is not able to be functioned appropriately without the underlying cloud architecture and technologies.

B. Separating the Group's SaaS Business would fundamentally undermine the operation and offering of its SaaS solutions.

Unlike certain other SaaS products providers on the market, the Group's proprietary technology infrastructure layer underpins the competitive advantage of the Group's provision of Cloud Services Business. It enables the Group to leverage our cloud computing, data storage, IDC capabilities to provide efficient, stable and secure SaaS services, such as through better data protection of consumers, more precise customisation, and improved processing and back-up capabilities. Since the launch of our technology infrastructure layer in 2016, the Group regularly revamps it in order to elevate the functions of the cloud computing services and enhance its processing/storage capacities and data security protective measures, and in turn optimise the efficiency of the Company's SaaS products. While the Group continuously refines and upgrades the function and capabilities of our technology infrastructure layer based on the development and demand of SaaS solutions, the SaaS Business also relies on the upgrades of our technology infrastructure layer in order to improve the variety and efficiency of our service offerings. This mutually symbiotic relationship between the SaaS Business and the underpinning technology infrastructure layer reflects the complete integration of the SaaS Business into the Group's integrated cloud service and solution offerings, making it inseparable from the remaining Cloud Service Business in practice.

C. Unified technical support and marketing service across all Cloud Service Business (including SaaS Business) will maximize efficiencies and economies of scale.

The Group's technology infrastructure layer and its related technical support extends to the entire Cloud Service Business including the SaaS Business to maximise the business efficiencies. For instance, the Group performs dual-system hot backup for all the data collected through various cloud-based services and solutions, which was maintained and technically supported by the same group of technical staff. In addition, the research and development of SaaS solutions and our technology infrastructure layer was handled by the same R&D team based on shared understanding and planning of SaaS solutions and the basic technology

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infrastructure. Further, the Group also established a core management team supporting (among other things) the sales and marketing of the Group’s Cloud Service Business, including SaaS solutions and cloud computing solutions (which requires IDC License for such sales as noted above). As such, the SaaS Business has been highly integrated and correlated with our technology infrastructure layer and it is technologically and commercially impracticable to separate the SaaS Business as a standalone service from the Group’s Cloud Service Business without fundamentally changing our business models and operations, which might result in an adverse impact on our business operations and the quality of services offered.

In light of the above, given that the Company’s SaaS solutions contain inseparable features or function of cloud computing and are integrated with the Group’s technology infrastructure layer, which is subject to IDC License, the entities which are principally engaged in sales and marketing of SaaS solutions (the “**SaaS Business Entities**”) cannot therefore be separated from Shanghai Trueland, being the entity holding the IDC License, and it is necessary for the Company to operate our SaaS Business under the Contractual Arrangements.

In this regard, our PRC Legal Advisor conducted the 2021 Consultation with officer of the MIIT, during which the Company represented to the MIIT officer that SaaS Business is highly integrated and correlated with the Group’s Cloud Computing and IDC Business (being the business subject to IDC License) and cannot be separated from the Company’s cloud technology infrastructure; and in response, the relevant officer confirmed that that they will defer to the Company to assess whether such businesses are highly integrated and correlated, and based on the Company’s presentation, they have no objection to the Company’s assessment. As advised by our PRC Legal Advisor, MIIT is the competent authority to address our inquiries in this regard above. Further, our PRC Legal Advisor also conducted a verbal consultation in May 2023 (the “**2023 Consultation**”) with officer of Shanghai Communications Administration (上海市通信管理局), the competent authority to address the consultation and inquiries made in the 2023 Consultation as advised by the PRC Legal Advisor. During the 2023 Consultation, the Company represented that our SaaS solutions contain inseparable features and functions of cloud computing; and in response, the officer confirmed that (i) such SaaS solutions offered by the Group are subject to IDC License; and (ii) the SaaS Business Entities cannot be structurally separated from Shanghai Trueland, being the entity holding the IDC License, and may carry out SaaS Business in practice if they are subsidiaries of Shanghai Trueland.

Based on the above, the Group is therefore required to operate SaaS Business through the Contractual Arrangements, and we are of the view that the Contractual Arrangements in respect of the Cloud Service Business remain narrowly tailored.

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Reason for Adoption of Contractual Arrangements for the Precision Marketing Entities

As advised by our PRC Legal Advisor, provision of precision marketing services is not strictly subject to foreign investment restrictions. However, similar to its SaaS Business, the provision of Precision Marketing Business is also powered by the Company’s proprietary technology infrastructure layer, and therefore has been highly integrated and correlated with the Group’s underlying technology infrastructure layer (in particular, the cloud computing technology), which requires an IDC License and is subject to foreign investment prohibition, and cannot be separated from such infrastructure as further explained below.

A. *The whole Precision Marketing Business is highly integrated and correlated with and powered by the Group’s technology infrastructure layer (in particular, the cloud computing technology), which requires an IDC License and is subject to foreign investment prohibitions.*

As disclosed above, the Group’s proprietary technology infrastructure layer is a cloud technology-driven infrastructure which provides cloud computing, comprehensive data analytics, data storage and internet data centre capabilities, which provides strong technical support for the Precision Marketing Business in the following ways:

- Our Precision Marketing Business is operated by the Precision Marketing Entities (including Shanghai Kaililong, Wuxi Kaililong, Guangzhou Kaililong etc.) by no means merely as third-party users adopting the cloud computing service and data analytic capabilities of the Group’s technology infrastructure layer. The Company’s business operating and client management system for Precision Marketing Business during the Track Record Period utilizes the cloud computing technology of the Group to cover the full life cycle of our precision marketing services, and enables a comprehensive and efficient analysis of data transmitted back to the underlying infrastructure to enable the function and capabilities of the corresponding precision marketing solutions to achieve precise customisation. In addition, the cloud computing and comprehensive data analytic capabilities offered through the technology infrastructure layer will proactively and automatically generate recommendations as to advertisement layout and content, and target market and customers, which enables the Group’s advertisement production and content creation, as well as maximizes the marketing effect and return.
- As noted in the flow chart in “Business – Precision Marketing – Online Advertisement Solution Services” of this document, the technology empowerment from the Group’s technology infrastructure layer forms an integral part of the online advertisement solutions offered to the clients. For example, the Group’s online advertisement solutions contain built-in cloud-backed tool named “臻惠投 – 卧龍” (TMS-WOLONG), which is developed and maintained on the Group’s technology infrastructure layer and is dedicated to improving marketing efficiency. To be more specific, the Group will be able to monitor the completion rate (完播率) of a marketing video and carry out real-time data acquired therefrom, and further optimise the content creation for the marketing deliverables to Group’s customers. It also compiles and consolidates underlying marketing data of various advertisements placed by the same customer for their review and analysis, and further improve the efficiency of the marketing results.

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- Similarly, in the course of providing the Group’s online advertisement distribution services, the Group would, in parallel, offer a built-in cloud-backed tool named “臻惠投-麥斯引擎 (CID)” (TMS-MAX ENGINE) which is developed, operated, updated and maintained on the Group’s technology infrastructure layer. Such tool would primarily compile, analyse and transmit the underlying customers’ purchase-related behavioural data, being a unique tracking parameter (for example, order placed by end customers), at relevant e-commerce platforms whenever such end customers click on an advertisement placed by the Group on its media partners. Based on such data collection, consolidation and analysis offered through the technology infrastructure layer, the data summary seized and analysed by such cloud-backed tool will be provided to such media partners to generate recommendations as to target market and customers for similar advertisement content, with a view to maximizing its marketing effect.
- Meanwhile, the link embedded (which redirects end users to the Group’s customers’ websites) in the precision marketing materials or advertisements distributed or made by the Group on behalf of its customers requires ICP (internet content provider) filing with the relevant local communication administration. As an integral part of the Group’s end-to-end all-in-one precision marketing offerings, with support of Shanghai Trueland, the Precision Marketing Entities will also prepare, submit, complete the relevant ICP filings and conduct verification process of ICP filings for its customers, which needs to rely on the IDC License held by Shanghai Trueland.
- In addition to the above, the entire business operating system for our Precision Marketing Business, including clients log-in, credit period application by the clients, services fee settlement and data storage and analysis was, developed, operated, maintained and powered by our technology infrastructure layer, which our technical staff systematically revamped in order to apply our micro-app algorithms to elevate the efficiency and functions of the client management and maintenance in our Precision Marketing Business (for example, further improvement on the service fee settlement and credit period application services based on the analysis of the transaction data through our technology infrastructure layer). The support of our technology infrastructure layer would also enable us to gain more clarity and visibility on our clientele through the analysis of underlying data collected, and therefore to design and refine the combination and variety in our precision marketing solutions and service offering.

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B. Unified technical support across the Cloud Service Business and the Precision Marketing Business will maximize efficiencies and economies of scale.

From a technological support perspective, there is only one unified technical support service across our Cloud Service Business and the Precision Marketing Business in order to maximize efficiencies and economies of scale. The integration of technical support extends to the Precision Marketing Business as well, which is powered, maintained and further developed by our technology infrastructure layer (in particular, the cloud computing technology). Similar to the SaaS Business, the Group performs dual-system hot backup for all the data collected through its online advertisement solution services and online advertisement distribution services, which was necessarily maintained and technically supported by the same group of technical staff. As mentioned above, since the launch of our technology infrastructure layer in 2016, the Group regularly revamps it in order to elevate the functions of the cloud computing services and enhance its processing/storage capacities and data security protective measures, and in turn also optimise the efficiency in marketing effect and return and the content production of the Company's precision marketing solutions and services. While the Group continuously refines and upgrades the function and capabilities of our technology infrastructure layer, the Precision Marketing Business relies on such upgrades of our technology infrastructure layer in order to improve the variety and efficiency of our service offerings. This mutually symbiotic relationship between the Precision Marketing Business and the underpinning technology infrastructure layer reflects the complete integration of the Precision Marketing Business into our cloud computing infrastructure, this business segment enjoys full support from our proprietary technology and self-owned data centers. Therefore, it is technologically impossible to separate the Precision Marketing Business from our technology infrastructure layer (in particular, the cloud computing technology) without fundamentally changing our business models and operations, which might adversely affect our business operations and the quality of services offered.

C. Separating the Group's Precision Marketing Business would fundamentally undermine the operation and offering of its precision marketing service solutions.

Unlike certain other precision marketing service providers in the market, the Group's proprietary technology infrastructure layer underpins the competitive advantage of the Group's provision of Precision Marketing Business as well. Compared to public cloud offered by other cloud service providers, it enables the Group to leverage its cloud computing, data storage, IDC capabilities to provide efficient, and more refined precision marketing services, such as through better data protection of consumers, more precise customisation, and improved data analytic capabilities. According to Frost & Sullivan, proprietary technology infrastructure can provide the Group higher data security and privacy for its Precision Marketing Business as the Company had sole access to the virtualized resources, and also have higher control of its configuration and administration with little restrictions, which highlights the key competitive edge of the Group as compared to other industry peers and lays solid foundation for the Company's capabilities to offer services to wide spectrum of clients with various demands for data protection and privacy.

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As noted above, the Company's business operating and client management system for Precision Marketing Business during the Track Record Period utilizes the cloud computing technology of the Group to cover the full life cycle of precision marketing services. As such, if public cloud was adopted as an intermediary to artificially segregate our Precision Marketing Business from the Group's proprietary technology infrastructure layer, such arrangement will impair the compatibility of the value-added features offered through the Group's built-in cloud-backed tools during the process of service offering, and therefore defeat the efficiency and stability in real-time transmission of the underlying data collected through the Company's precision marketing solutions and advertisement distribution back to the technology infrastructure layer for cloud computing and data analysis, and the Company will therefore not be able to generate real-time recommendation for upgrades and improvements on marketing effect. This would fundamentally damage the Group's competitive edge in the Precision Marketing Business.

On the above basis, the Precision Marketing Business has been highly integrated and correlated with the Group's technology infrastructure layer and it is technologically and commercially impracticable to artificially separate the Precision Marketing Business as a standalone service from the Group's technology infrastructure without fundamentally changing its business models and operations, which might result in a material adverse impact on our business operations and the quality of services offered. Further, on the basis that (i) as illustrated above, functions in the Group's precision marketing solutions (including built-in cloud-backed precision marketing tools developed, operated, updated and maintained on the Group's technology infrastructure layer) and the ICP filing services complementary to its overall Precision Marketing Business are offered as an integral part of the Group's precision marketing offerings and (ii) the Group's Precision Marketing Business is subject to contractual restrictions with its key business partners and major customers on separating from its technology infrastructure layer, the Precision Marketing Entities cannot therefore be separated from Shanghai Trueland, being the entity holding the IDC License.

In this regard, our PRC Legal Advisor conducted the 2021 Consultation with officer of the MIIT, during which the Company represented to the MIIT officer that Precision Marketing Business is highly integrated and correlated with the Group's Cloud Computing and IDC Business (being the business subject to IDC License) and cannot be separated from the Company's cloud technology infrastructure; and in response, the relevant officer confirmed that that they will defer to the Company to assess whether such businesses are highly integrated and correlated, and based on the Company's presentation, they have no objection to the Company's assessment. As advised by our PRC Legal Advisor, MIIT is the competent authority to address our inquiries in this regard above. Further, during the 2023 Consultation conducted by our PRC Legal Advisor, the Company represented that the Group's Precision Marketing Business contains the function of ICP filing-for-record and the related verification of filing information which needs to be conducted by a IDC License holder; and in response, the officer confirmed that (i) such Precision Marketing Business offered by the Group is subject to IDC License, and that (ii) the Precision Marketing Entities, being wholly owned subsidiaries of Shanghai Trueland, cannot be structurally separated from Shanghai Trueland, being the entity holding the IDC License, and may carry out Precision Marketing Business in practice.

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Overview

Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined above, we do not directly own any equity interest in our Consolidated Affiliated Entities.

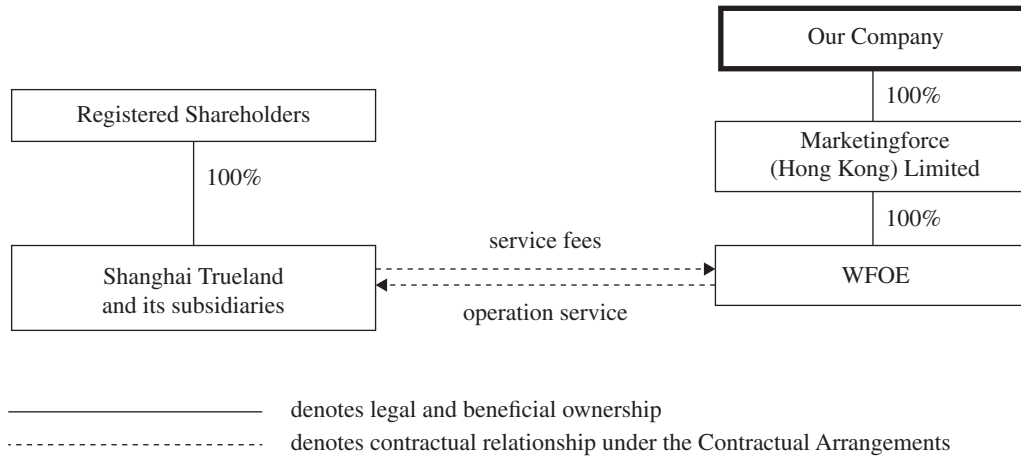
In view of the aforementioned PRC regulatory background as advised by our PRC Legal Advisor and verbal consultations mentioned above, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities. Pursuant to the Reorganization, we acquired equity interests in entities whose businesses are not subject to foreign investment restrictions and entered into Contractual Arrangements between the WFOE, and Shanghai Trueland (which holds the remaining Consolidated Affiliated Entities) and the Registered Shareholders. The Contractual Arrangements allowed the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group. Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our Directors believe that the Contractual Arrangement are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between the WFOE and our Consolidated Affiliated Entities; (ii) by entering into the exclusive business cooperation agreement with the WFOE, which is our wholly-owned subsidiary incorporated in PRC, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED], and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

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The following simplified diagram illustrates the flow of economic benefits from Shanghai Trueland to our Group under the Contractual Arrangements:



Notes:

- (1) The Registered Shareholders of Shanghai Trueland are Mr. Zhao as to 39.85%, Ms. Zhu as to 33.70%, Shanghai Hongyu as to 10.87%, Ms. ZHAO Fangqi as to 8.70%, Shanghai Zhiyu as to 2.54%, Mr. TAN Kaihua as to 2.17%, Ms. XU Wenhua as to 1.60%, and Mr. GUO Peimin as to 0.57%.
- (2) Shanghai Trueland’s subsidiaries, being:
 - Trueland Network, which is primarily engaged in operation of Cloud Services Business through the data middle platform;
 - Shanghai Kaililong, Wuxi Kaililong, Guangzhou Kaililong, engaged in Precision Marketing Business;
 - Guangdong Trueland, Ningbo Trueland Information Technology Co., Ltd. (寧波珍島信息技術有限公司), Wenzhou Trueland Information Technology Co., Ltd. (溫州珍島信息技術有限公司), Suzhou Trueland Information Technology Co., Ltd. (蘇州珍島信息技術有限公司), Hangzhou Trueland Information Technology Co., Ltd. (杭州珍島信息技術有限公司), Shanghai Trueland Intelligence Technology Group Co., Ltd. (上海珍島智能技術集團有限公司), Trueland Digital, Hubei Trueland Digital Intelligent Technology Co., Ltd. (湖北省珍島數字智能科技有限公司), Dongchali, Jinhua Trueland Information Technology Co., Ltd. (金華市珍島信息技術有限公司), Zhongshan Trueland Information Technology Co., Ltd. (中山珍島信息技術有限公司), Chengdu Trueland, and Taizhou Trueland Information Technology Co., Ltd. (台州珍島信息技術有限公司), which are engaged in SaaS Business and intends to be engaged in sale of cloud computing solutions;
 - Wuxi Trueland, Wuxi Trueland Intelligence, engaged in both Precision Marketing Business and SaaS Business; and
 - Shanghai Kaililong Big Data Technology Group Co., Ltd. (上海凱麗隆大數據科技集團有限公司), being non-operating entity.
- (3) As of the Latest Practicable Date, Shanghai Trueland also holds 40% equity interest in Trueland Feizhi Enterprise Consulting (Shanghai) Co., Ltd. (珍島飛智企業諮詢(上海)有限公司), being a non-operating entity established in the PRC on February 2, 2024.

Circumstances under which we will unwind the Contractual Arrangements

If the relevant business is no longer falling in the restrictions or certain conditions and permission of foreign investment access required under the applicable laws, and we can legally operate our business under PRC laws, regulations and policies, the WFOE will exercise the call option under the exclusive options agreement to acquire the equity interest/assets of the Consolidated Affiliated Entities and unwind the Contractual Arrangements subject to any application or approval procedures and the approval by the relevant governmental authorities.

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Summary of the agreements under the Contractual Arrangement and other key terms thereunder

A description of each of the specific agreements that comprise the Contractual Arrangement is set out below.

Exclusive Business Cooperation Agreement

As part of the Contractual Arrangement, Shanghai Trueland and the WFOE [have entered into] the amended and restated exclusive business cooperation agreement (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Shanghai Trueland have agreed to engage the WFOE as its exclusive services provider, providing services which may include all services within the business scope of Shanghai Trueland, as may be determined from time to time by WFOE, including technical services, information technology consultation service, software development, in exchange for service fees. Shanghai Trueland and WFOE agreed that during the term of the Exclusive Business Cooperation Agreement, they may enter into further technical service agreements or consulting service agreements, which shall provide the specific contents, manner, personnel, and fees for the specific technical services and consulting services.

Under the Exclusive Business Cooperation Agreement, the service fees shall consist of 100% of the net income of Shanghai Trueland and its subsidiaries. Notwithstanding the foregoing, the WFOE may, at its sole discretion, adjust the rate of service fees based on the services rendered by Shanghai Trueland in each month and the operational needs of Shanghai Trueland through prior written notice, and Shanghai Trueland will accept any such adjustment. The WFOE will calculate the service fees on a monthly basis and issue a corresponding invoice to Shanghai Trueland. Notwithstanding the payment arrangements in the Exclusive Business Cooperation Agreement, WFOE may adjust the payment time and method, and Shanghai Trueland will accept any such adjustment. The service fees would be due and payable on a monthly basis. Shanghai Trueland would (a) deliver to the WFOE the management accounts and operating statistics of Shanghai Trueland for each month, including the net income of Shanghai Trueland and its subsidiaries during such month, and (b) pay 100% of such monthly net income, or other amount agreed by the WFOE, to the WFOE within 30 days after the end of each month. Shanghai Trueland shall (a) deliver to the WFOE audited consolidated financial statements of Shanghai Trueland for each fiscal year, which shall be audited and certified by an independent certified public accountant as selected and approved by the WFOE, and (b) pay an amount to the WFOE which equals to the shortfall, if any, of the net income of Shanghai Trueland and its subsidiaries for such fiscal year, as shown in such audited financial statements, as compared to the aggregate amount of the monthly payments paid by Shanghai Trueland to the WFOE in such fiscal year, within 90 days after the end of each fiscal year.

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In addition, without the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the services subject to the Exclusive Business Cooperation Agreement and other matters, Shanghai Trueland shall not accept any similar consultations and/or services provided by any third party and shall not establish similar corporation relationship with any third party similar to those formed by the Exclusive Business Cooperation Agreement with any third party.

The Exclusive Business Cooperation Agreement also provide that the WFOE has exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created or developed by the WFOE during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement remain in effect unless terminated by written notice from the WFOE. Shanghai Trueland shall not terminate the Exclusive Business Cooperation Agreement prior to its expiration date.

Exclusive Option Agreement

As part of the Contractual Arrangements, the Registered Shareholders [have entered into] the amended and restated exclusive option agreements (the "**Exclusive Option Agreements**") with Shanghai Trueland and WFOE, each of which contains similar terms and conditions. Pursuant to the Exclusive Option Agreements, the Registered Shareholders, jointly and severally, irrevocably granted the WFOE an irrevocable and exclusive option, exercisable in one or more times, to purchase or cause any person(s) designated by the WFOE to purchase, to the extent permitted under any applicable PRC laws, a portion of or all of the respective Registered Shareholders' equity interests in Shanghai Trueland, at any time and from time to time, for a consideration equals to, as applicable, the minimum amount of consideration permitted by applicable PRC laws. The consideration in relation to purchasing assets from Shanghai Trueland shall be the lowest price as permitted under the applicable PRC laws.

Shanghai Trueland and the Registered Shareholders, among other things, have covenanted that:

- (i) without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the articles of association and bylaws of Shanghai Trueland, increase or decrease its registered capital, or change its structure of registered capital in other manners;
- (ii) they shall maintain Shanghai Trueland's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;

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- (iii) without the prior written consent of the WFOE, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any assets of Shanghai Trueland or legal or beneficial interest in the business or revenues of Shanghai Trueland, or allow the encumbrance thereon of any security interest;
- (iv) without the prior written consent of the WFOE, they shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) debts incurred in the ordinary course of business other than through loans; and (ii) debts disclosed to the WFOE for which the WFOE's written consent has been obtained;
- (v) they shall always operate all of Shanghai Trueland's businesses during the ordinary course of business to maintain the asset value of Shanghai Trueland and refrain from any action/omission that may affect Shanghai Trueland's operating status and asset value;
- (vi) without the prior written consent of the WFOE, they shall not cause Shanghai Trueland to execute any major contract, except the contracts in the ordinary course of business (a contract with a value exceeding RMB5,000,000 shall be deemed a major contract);
- (vii) without the prior written consent of the WFOE, they shall not cause Shanghai Trueland to provide any person with any loan or credit;
- (viii) they shall provide the WFOE with information on Shanghai Trueland's business operations and financial condition at Shanghai Trueland's request;
- (ix) if requested by the WFOE, they shall procure and maintain insurance in respect of Shanghai Trueland's assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- (x) without the prior written consent of the WFOE, they shall not cause or permit Shanghai Trueland to merge, consolidate with, acquire or invest in any person;
- (xi) they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Shanghai Trueland's assets, business or revenue;
- (xii) to maintain the ownership by Shanghai Trueland of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

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- (xiii) without the prior written consent of the WFOE, they shall ensure that Shanghai Trueland shall not in any manner distribute dividends to its shareholders, provided that upon the WFOE's written request, Shanghai Trueland shall immediately distribute any or all distributable profits to its shareholders;
- (xiv) at the request of the WFOE, they shall appoint any persons designated by the WFOE as the director and/or executive director of Shanghai Trueland;
- (xv) without the prior written consent of the WFOE, they shall not engage in any business that competes with the WFOE or its affiliates; and
- (xvi) unless required by PRC law, Shanghai Trueland shall not be dissolved or liquidated without the WFOE's written consent.

In addition, the Registered Shareholders of Shanghai Trueland, among other things, have covenanted that:

- (i) without the prior written consent of the WFOE, they shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the shares in Shanghai Trueland held by them, or allow the encumbrance thereon of any security interest, except for the pledge placed on these shares in accordance with the Share Pledge Agreements;
- (ii) they shall cause the shareholders' meeting and/or the board of directors and/or executive director of Shanghai Trueland not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the shares in Shanghai Trueland held by them, or allow the encumbrance thereon of any security interest, without the prior written consent of the WFOE, except for the pledge placed on these shares in accordance with the Share Pledge Agreements;
- (iii) they shall cause the shareholders' meeting or the board of directors and/or executive director of Shanghai Trueland not to approve the merger or consolidation with any person, or the acquisition of or investment in any person, without the prior written consent of the WFOE;
- (iv) they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the shares in Shanghai Trueland held by them;
- (v) they shall cause the shareholders' meeting or the board of directors and/or executive director of Shanghai Trueland to vote their approval of the transfer of the portion of shares to be purchased from them and to take any and all other actions that may be requested by the WFOE;

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- (vi) to the extent necessary to maintain their ownership in Shanghai Trueland, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- (vii) they shall appoint any designee of the WFOE as the director and/or executive director of Shanghai Trueland, at the request of the WFOE;
- (viii) at the request of the WFOE at any time, they shall promptly and unconditionally transfer their shares in Shanghai Trueland to the WFOE's Designee(s) in accordance with the Exclusive Option Agreement, and the Shareholders hereby waive their rights of first refusal (if any) to the share transfer by the other existing shareholder of Shanghai Trueland (if any);
- (ix) if they receive any profit distribution, dividends or liquidation proceeds from Shanghai Trueland, the Shareholder shall promptly donate such profits, dividends and liquidation proceeds to the WFOE or any person designated by the WFOE in a manner permitted by PRC law; and
- (x) they shall strictly abide by the provisions of the Exclusive Option Agreement and other contracts jointly or separately executed by and among them, the WFOE and Shanghai Trueland, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that they have any remaining rights with respect to the shares subject to Exclusive Option Agreement hereunder or under the Share Pledge Agreements or under the Powers of Attorney granted in favor of the WFOE, they shall not exercise such rights except in accordance with the written instructions of the WFOE.

The Registered Shareholders have also undertaken that, subject to the relevant laws and regulations, they will return to the WFOE any consideration they receive in the event that the WFOE exercise the options under the Exclusive Option Agreement to acquire the equity interests in Shanghai Trueland.

The Exclusive Option Agreement shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in Shanghai Trueland have been transferred to the WFOE or its designee(s).

Share Pledge Agreements

As part of the Contractual Arrangements, the respective Registered Shareholders [have entered into] the amended and restated share pledge agreements (the "**Share Pledge Agreements**"), with Shanghai Trueland and the WFOE, each of which contains similar terms and conditions. Pursuant to the Share Pledge Agreements, the Registered Shareholders agreed to pledge all their respective equity interests in Shanghai Trueland that they legally own to the WFOE as a first security interest to guarantee the timely and complete payment and performance of contractual obligations under the relevant Contractual Arrangements.

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The Share Pledge Agreements came into effect upon completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders of Shanghai Trueland and Shanghai Trueland under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders of Shanghai Trueland and Shanghai Trueland under the relevant Contractual Arrangements have been paid. The share pledges under the Share Pledge Agreements have been duly registered with the relevant PRC authority pursuant to the relevant PRC laws.

Among other things, the Registered Shareholders have undertaken that without the WFOE's prior written consent, they will not transfer their equity interests, place or permit the existence of any security interest or other encumbrance on their equity interests, or disposal of the equity interests in any other means, except for the performance of the Exclusive Option Agreement.

Upon the occurrence of an event of default (as defined in the Share Pledge Agreements), the WFOE may, at any time thereafter, serve a default notice to the Registered Shareholders, upon which the WFOE may exercise its right of pledge according to the Share Pledge Agreements, or otherwise dispose of the pledged equity interest in accordance with applicable Laws, unless the event of default has been resolved in the satisfactory of the WFOE within 20 working days after the default notice has been served. The WFOE may exercise such right of pledge based on its own independent judgement. The Registered Shareholders and Shanghai Trueland have covenanted to provide necessary assistance to the WFOE when the WFOE exercises such right of pledge. Shanghai Trueland shall have no obligation to the WFOE for any deficiency remaining after such disposition of the equity interests pledged.

Under the Share Pledge Agreements, the Registered Shareholders have agreed that, without prior written consent of the WFOE, they will not transfer or dispose the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice the WFOE's interest.

As of the Latest Practicable Date, the registrations of the Share Pledge Agreements in relation to Shanghai Trueland had been completed.

Powers of Attorney

Under the irrevocable powers of attorney executed by each of the Registered Shareholders on the same date (the "**Powers of Attorney**"), the Registered Shareholders have appointed WFOE and its designated persons (including but not limited to the directors of the holding companies of WFOE and their successors and the liquidators replacing such directors or successors, but excluding those who are non-independent or who may give rise to conflict of interests) as their agent and attorney to act on their behalf on all matters concerning Shanghai Trueland and to exercise all of their rights as a registered shareholder of Shanghai Trueland, including but not limited to: (i) the right to attend shareholders' meetings and sign resolutions on behalf of the relevant Registered Shareholder; (ii) the right to exercise all shareholder rights

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and shareholder voting rights under applicable PRC laws and the articles of association of Shanghai Trueland, including but not limited to the sale or transfer or pledge or disposition of the Registered Shareholders' respective shareholdings in part or in whole, and the right to submit any required documents to the relevant authorities; and (iii) the right to designate and appoint on behalf of the Registered Shareholders the legal representative, the executive director and/or director, supervisor, the chief executive officer and other senior management members of Shanghai Trueland.

Further, pursuant to the Powers of Attorney and to ensure that it does not give rise to a conflict of interest, each of the Registered Shareholders of Shanghai Trueland irrevocably undertakes that:

- (i) the authorisations under the Powers of Attorney will not lead to any potential conflict of interests between WFOE and the Registered Shareholders; and
- (ii) if any conflict of interest occurs during the performance of the Contractual Arrangements, WFOE's interest shall take priority.

The Powers of Attorney remain effective as long as the Registered Shareholders remain shareholders of the Shanghai Trueland, unless WFOE requests to replace the appointed designee under the Powers of Attorney.

The articles of association of Shanghai Trueland state that the shareholders, in a shareholders' meeting, have the power to approve its operating strategy and investment plan, appoint the executive director, and review and approve the annual budget and earning distribution plan. Therefore, through the irrevocable power of attorney arrangement, our Company and WFOE, can exercise effective control over Shanghai Trueland through shareholder votes and, through such votes, to also control the composition of the board of directors for Shanghai Trueland.

Loan Agreements

Under the amended and restated loan agreements [have entered into] by the WFOE and each of the Registered Shareholders (the "**Loan Agreements**"), the WFOE agreed to provide each Registered Shareholder a loan in an amount equivalent to the registered capital in Shanghai Trueland subscribed by such Registered Shareholder, to be used exclusively as investment in Shanghai Trueland. Specifically, once the lender receives a notice from the borrower requesting the provision of all or any part of the loan during the term of the loan agreement, the lender shall within one (1) month after receiving such notice provide that portion of loan to the borrower. As of the Latest Practicable Date, the borrower had not requested the provision of the loan and the lender had not provided the loan to the borrower. The loans must not be used for any other purposes without the WFOE's prior written consent.

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The term of each loan shall be long term unless otherwise indicated by the lender. The loan shall terminate on the date the lender exercises its exclusive purchase option under the relevant Exclusive Option Agreement, or when certain defined termination events occurs, such as when the lender sends a written notice demanding repayment to the borrower, or upon the default of the borrower, whichever is earlier.

After the lender exercises its exclusive purchase option, the borrower shall repay the loan by and solely by transferring all of the borrower's equity interest in Shanghai Trueland pursuant to the Exclusive Option Agreement along with all the proceeds obtained from such share transfer to the lender or the lender's designated persons.

Partners Undertaking

Each of the partners (the "**Partners**", including limited partners and general partners) of Shanghai Hongyu and Shanghai Zhiyu (the "**LPs**"), [has signed] an unconditional and irrevocable undertaking (the "**Partners Undertaking**") to the effect, among others, that each of them undertakes:

- to procure the Partners to continuously comply with the Contractual Arrangements and will not initiate or adopt any claims which will contradict the Contractual Arrangements;
- their interests in Shanghai Trueland through the LPs are beneficially owned by the WFOE and he/she will not claim on such interests;
- without prior written consent of the WFOE or its designated person, he/she will not, and will procure the LPs not to, with the intend to impact the validity and stability of the Contractual Arrangements, amend the partnership agreement, partnership composition or dispose any interests in the LPs;
- to transfer his/her interests in the LPs to the designated person in accordance with the instruction of the WFOE or its designated person to the extent permissible by applicable laws, and to remit the consideration (if any) to the WFOE or its designated person;
- to procure the LPs not to raise any proposition or take any action against the Contractual Arrangements based on theirs shares in Shanghai Trueland;
- if the WFOE or any individual designated by it requires amendments on relevant items of the LPs in accordance with the Contractual Arrangements, to facilitate and accomplish such requirements as requested; and
- if he/she breaches any of the undertakings, to bear liability of such breach in the same way as a breaching party does under the Contractual Arrangements and compensate for losses.

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Spousal Consent Letters

The spouse of each of the individual Registered Shareholder and the partners of Shanghai Hongyu and Shanghai Zhiyu, where applicable, [have signed] consent letters (the "**Spousal Consent Letters**") to the effect, among others, that

- (i) confirmed and agreed that any equity interests (together with any other interests therein) held by their respective spouse as a Registered Shareholder or as a limited partners of the LPs, as the case may be, are separate properties of their spouse and do not fall within the scope of communal properties; their respective spouse and LPs are entitled to deal with the respective spouse's equity interests and any interests therein in Shanghai Trueland in accordance with the Contractual Arrangements without the prior consent of them;
- (ii) confirmed that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her;
- (iii) confirmed that the respective spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of Contractual Arrangements as amended from time to time; and
- (iv) unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that he will not have any claim on such equity interests and assets; and he has not and does not intend to participate in the operation and management or other voting matters of Shanghai Trueland.

Other Key Terms Thereunder

Dispute Resolution

In the event of any dispute with respect to the interpretation or performance of the provisions, each of the Exclusive Business Cooperation Agreement, Exclusive Option Agreement, Loan Agreements and Share Pledge Agreements stipulates:(a) in the event of any dispute arising under or in connection with the Contractual Arrangements, the parties thereto shall negotiate to settle the dispute; and (b) in the event of the parties failing to reach an agreement within 30 days after the relevant dispute arises, the relevant dispute shall be submitted to the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) in accordance with the then effective arbitration rules. The arbitration award shall be final and binding on all parties. Any party shall have the right to apply to courts with competent jurisdiction for enforcement of arbitration awards after the relevant arbitration award comes into effect. During the dispute settlement period, except for the matters in dispute, the parties shall continue to exercise their respective rights and perform their respective obligations under the Contractual Arrangements.

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The dispute resolution clause also provides that: (i) the tribunal may award remedies over the shares or assets of Shanghai Trueland, injunctive relief (*e.g.*, for the conduct of business or to compel the transfer of assets) or order the winding-up of Shanghai Trueland; and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of establishment of Shanghai Trueland and the place where the main assets of Shanghai Trueland are located) also have jurisdiction to grant interim remedies and/or enforce an arbitral award or interim remedies against the shares or properties of Shanghai Trueland.

However, our PRC Legal Advisor has advised that the tribunal normally would not grant such injunctive relief or order the winding up of Shanghai Trueland pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

As a result of the above, if Shanghai Trueland or the Registered Shareholder breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Shanghai Trueland and conduct our business could be materially and adversely affected. See "Risk factors – Risks relating to Our Corporate Structure and Contractual Arrangements" for further details.

Conflict of Interests

Each of the Registered Shareholders has executed a Powers of Attorney, which addresses potential conflict of interests that may arise in connection with the Contractual Arrangements. See "Powers of Attorney" above.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Relevant Individual Shareholders, as if the successors were signing parties to the Contractual Arrangements, save that the Loan Agreement is only binding on each of the Registered Shareholders. Pursuant to the Contractual Arrangements, each of the Registered Shareholders shall take all necessary actions to ensure that, save that the Loan Agreement is only binding on each of the Registered Shareholders, (i) his/her successors, guardians, and any other persons who may be entitled to assume rights and benefits in the equity interests of the Registered Shareholders in Shanghai Trueland upon his/her death, bankruptcy, loss of capacity (in respect of individuals) or any other circumstances that may affect his/her exercise of the shareholders' rights in respect of Shanghai Trueland shall be deemed to be signatories of the Contractual Arrangements and assume all rights and obligations under the Contractual Arrangements if any of such circumstances occur; and (ii) the successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements, and the WFOE may enforce its rights against the successors.

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Loss Sharing

Under the relevant PRC laws and regulations, none of our Company nor the WFOE is legally required to share the losses of, or provide financial support to, Shanghai Trueland. Further, Shanghai Trueland is a company limited by shares and shall be solely liable for its own debts and losses with assets and properties owned by them. The WFOE intends to continuously provide to or assist Shanghai Trueland in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through Shanghai Trueland, which hold the requisite the PRC operational Licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if Shanghai Trueland suffers losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of the WFOE, Shanghai Trueland shall not, among others: (a) sell, transfer, pledge or dispose of in any manner any of its assets; (b) create, succeed to, guarantee or permit any liability except (i) liabilities arising from the normal course of business, but not arising from loans; and (ii) liabilities disclosed to the WFOE and approved by the WFOE in writing; (c) provide loans or credit to any person (other than in the normal course of business); (d) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (e) increase or reduce its registered capital, or alter the structure of the registered capital in any other way.

Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from Shanghai Trueland can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Shanghai Trueland shall give the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

Insurance

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Shanghai Trueland under the Contractual Arrangements.

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LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, we believe that the Contractual Arrangements are narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. Our PRC Legal Advisors have advised that, upon execution of the Contractual Arrangements:

- (a) each agreement under the Contractual Arrangements is governed by PRC laws;
- (b) each agreement under the Contractual Arrangements is binding on the parties thereto and none of them would be void under the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of Shanghai Trueland or our WFOE;
- (d) the execution, effectiveness, and the performance of the Contractual Arrangements are not subject to any approvals or authorizations from the PRC governmental authorities, except that:
 - (1) the exercise of the option by our WFOE of their rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Shanghai Trueland are subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities;
 - (2) any share pledge contemplated under the Share Pledge Agreements are subject to the registration with competent administration bureau for market regulation;
 - (3) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement; and
- (e) each agreement under the Contractual Arrangements is valid, legal and binding under PRC laws, except in relation to the dispute resolution clause and liquidation or dissolution clause under these agreements. (1) These agreements provide that any dispute shall be submitted to the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) for arbitration, in accordance with the then effective arbitration rules. They also provide that the arbitrator may award interim remedies over the shares or assets of Shanghai Trueland or injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding-up of Shanghai Trueland; and the courts of Hong Kong, the Cayman Islands and the PRC also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies. However, our PRC Legal Advisor has advised that the tribunal normally would not grant such injunctive relief or order the winding-up of Shanghai Trueland pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas

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courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws. (2) The Contractual Arrangements provide that in case of a liquidation or dissolution of Shanghai Trueland, Shanghai Trueland shall, to the extent permitted by the PRC laws, appoint the personnel recommended by our WFOE to form a liquidation team to manage the property of Shanghai Trueland and its subsidiaries and branches. However, this provision does not apply in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation.

Our PRC Legal Advisor also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion. See “Risk Factors – Risks relating to our Corporate Structure and Contractual Arrangements – If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities” and “Risk Factors – Risks relating to Our Corporate Structure and Contractual Arrangements – We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.”

Nevertheless, based on the above analysis and above advice, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant clauses as described in the paragraph headed “Dispute Resolution” in this section, each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On 15 March 2019, the National People’s Congress approved the Foreign Investment Law which became effective on 1 January 2020. On 26 December 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law, which came into effect on 1 January 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign-Invested Enterprises Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. As advised by our PRC Legal Advisor, if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual

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Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “Contractual Arrangements – Legality of the Contractual Arrangements.”

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of Shanghai Trueland, by the WFOE, through which we operate our business in the PRC. The Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods.” There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of Shanghai Trueland will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk factors – Risks relating to our Corporate Structure and Contractual Arrangements – Our current corporate structure and business operations may be affected by the Foreign Investment Law.”

Filings and Approvals from PRC Governmental Authorities

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five supporting guidelines, which have come into effect on March 31, 2023.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either directly or indirectly, are required to fulfill the filing procedure with the CSRC and report the relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as scrutinized and determined in accordance with law by competent authorities under the State Council; (iii) the domestic company intending to make the securities offering and listing, or the controlling shareholder(s) and the actual controller of such company, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

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The Overseas Listing Trial Measures also provides that the overseas securities offering and listing will be deemed as an indirect overseas offering by PRC domestic companies if (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year are accounted for by PRC domestic companies; and (ii) the issuer’s principal business activities are conducted in the PRC, or its principal place(s) of business are located in the PRC, or the senior executives responsible for its business operations and management are mostly Chinese citizens or persons domiciled in the PRC. It is not specified whether Chinese citizens from Taiwan, Hong Kong, and Macau are included in the foregoing specification. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted to the overseas regulators. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on any material events, such as change of control, investigation or punishment taken by overseas securities regulatory authorities, change of listing status or listing plate, or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On the same day, CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which among others, clarifies that (i) the PRC domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e., March 31, 2023) shall be deemed as existing issuers, or the Existing Issuers. Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (ii) on or prior to the effective date of the Overseas Listing Trial Measures, PRC domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from competent overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing prior to the completion of their overseas offering and listing; (iii) a six-month transition period from March 31, 2023 will be granted to PRC domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States) for their indirect overseas offering and listing, and if such companies complete their overseas offering and listing within such six months, they are deemed as Existing Issuers. However, if such domestic companies fail to complete the overseas issuance and listing within such six-month transition period, they shall file relevant documents with the CSRC in accordance with the requirements. At the press conference held for the Overseas Listing Trial Measures, officials from the CSRC clarified that, as for companies seeking the overseas listing with contractual arrangements, the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of such companies if they duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize resources in different markets.

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Based on the foregoing, if prior to the effective date of the Overseas Listing Trial Measures, the domestic enterprises have a valid overseas listing application and have not received the consent of the overseas regulator or overseas stock exchange, they may reasonably arrange the timing of filing the application and should complete the filing before the overseas offering and listing.

We submitted the required filing documents to the CSRC on April 24, 2023, and obtained the Record-filing Notice of Overseas [REDACTED] and [REDACTED] on February 7, 2024.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods.” There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors – Risks relating to our Corporate Structure and Contractual Arrangements.”

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (d) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and Shanghai Trueland to deal with specific issues or matters arising from the Contractual Arrangements.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by the WFOE, Shanghai Trueland shall pay service fees to the WFOE. The service fee shall equal Shanghai Trueland's service fees shall consist of 100% of the net income of Shanghai Trueland. The WFOE has the right to periodically receive or inspect the accounts of Shanghai Trueland.

In addition, under the Exclusive Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders as the WFOE's prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the service fee under the Exclusive Business Cooperation Agreement, such income, profit distribution or dividend to the WFOE or any other person designated by the WFOE to the extent permitted under applicable PRC laws.

As a result of the Contractual Arrangements between the WFOE, Shanghai Trueland and the Registered Shareholders, the WFOE can effectively control, recognize and receive substantially all the economic benefit of the business and operations of Shanghai Trueland. Accordingly, Shanghai Trueland are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of Shanghai Trueland is disclosed in Note 2.2(b) to the Accountant's Report set out in Appendix I to this document.